

MSDA

Michigan Soft Drink Association

Telephone: 517/371-4499
Facsimile: 517/371-1113
msda@voyager.net
www.michigansoftdrinkassociation.org

124 West Allegan Street, Suite 634
Lansing, MI 48933-1707

May 10, 2011

William E. Lobenherz, President
and Chief Executive Officer

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The Honorable Mark Jansen
Michigan Senate
PO Box 30036
Lansing, MI. 48909

Re: State Tax Reform HB4361; HB4362

Dear Senator Jansen:

We commend the Senate for promptly considering the House-passed state tax reform measures. Ever since the 2008 shift of some \$700 million from a sales tax on services to the Michigan Business Tax (MBT) through enactment of the 21.99% surcharge, we and many elements of the business community have been supporting the reversal of this added cost to business along with other business tax reforms.

As the legislature considers switching from the MBT to a flat rate Corporate Income Tax (CIT), there has been considerable discussion over the several tax credits that were contained in the MBT. While dubbed "loopholes" by some, and alleged to create an unlevel playing field among businesses, we strongly submit that some of those credits were also legitimate and appropriate parts of our business tax code, which attempted to level the playing field with other states, and are good public policy which deserves to remain a part of our state's tax code.

Some of those current MBT credits have now been inserted into the CIT legislation, or are being considered for inclusion in the CIT. They are to recognize already given state commitments (previously certificated credits), or offer incentives for capital investment at compromised sites or at historic locations, where such investment might not be economically feasible without state assistance in the form of a tax credit.

We would like to offer that there are some additional credits from the MBT that also legitimately deserve your consideration for continuation. These are credits that apply equally to business (and so do not create an unlevel playing field), and indeed are designed to make the cost of doing business in Michigan more comparable to our neighboring states:

35% Personal Property Tax Credit
30.5% Deposit Law Administration Credit

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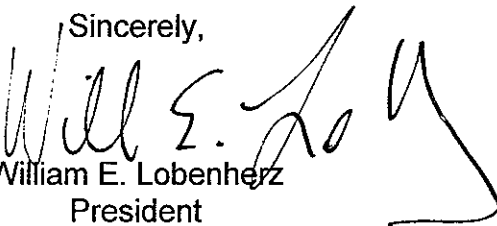
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These two credits, operational under the MBT, were a legitimate attempt to provide at least partial recognition for the direct government imposed costs on Michigan businesses that are not imposed on our business competitors in Michigan's neighboring states (and indeed, most other states in the nation also do not have personal property taxes or deposit laws).

The price for those credits under the MBT was approximately \$125 million for the PPT credit, and \$8.5 million for the Deposit Credit. As this Committee and the Legislature continues its consideration of appropriate tax reforms in order to reclaim this state's position of economic leadership, we hope you will not forget the importance of those two credit programs in our business tax scheme.

Thank you in advance for your consideration.

Sincerely,


William E. Lobenherz
President

CC: Members, Senate Committee on Reforms, Restructuring, & Reinventing
Senator Randy Richardville
Speaker Jase Bolger
Representative Jud Gilbert
Lt. Governor Brian Calley